



**National Association  
for the Self-Employed**

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Testimony of  
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*“Plain Language in Paperwork – The Benefits to Small Business.”*

U.S. House of Representatives, Committee on Small Business, Subcommittee on  
Contracting and Technology

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Chairman Braley and fellow Members of Congress, I want to thank you for the opportunity to be here today to speak to you about the importance of utilizing plain language in federal government forms and publications. I am here today as a micro-business owner, a CPA who has assisted small businesses for over 25 years, and the National Tax Advisor for the National Association for the Self-Employed, an organization representing 250,000 micro-businesses all with ten employees or less. I can tell you that in each of these hats I wear, confusion and complexity surrounding government forms and publications is foremost. And nowhere else is this confusion more prominent than in the documentation churned out by the Internal Revenue Service.

While lack of clarity in forms and publication flourishes in the federal government, the IRS is the federal agency that micro-businesses have the most contact with and of course, are most fearful of. It is also the most infamous for their excessive paperwork and unclear instructions and forms. Though, I will note that as a CPA I have been very pleased with the efforts made by the Internal Revenue Service over the past few years to become small business friendly. The IRS's enhanced outreach and educational efforts as well as their work in the Office of Burden Reduction to simplify and minimize paperwork have made positive strides. Their commitment to their website and the availability of information has been very good and certainly recognized by the NASE and many small business owners.

However, despite steps toward improvement, with over 1.4 million words the tax code is so convoluted that is extremely difficult for taxpayers, tax practitioners and the IRS to reliably and accurately comply with or enforce the breadth of tax regulations. Currently the IRS estimates that a self-employed taxpayer, one filing Form 1040 with corresponding Schedule C, will have to spend on average over 56.9 hours in preparation and filing of their returns this year with an average cost of \$440 dollars. According to a 2006 Tax Foundation study, individuals, businesses and nonprofits spent an estimated 6 billion hours complying with the federal income tax code, with an estimated compliance cost of over \$265.1 billion. Businesses bear the majority of tax compliance costs, totaling nearly \$148 billion or 56 percent of total compliance costs.

The majority of NASE members are one to three person businesses with over half working from their home. This is a very unique segment of the business population, in which many do their taxes on their own with assistance from tax preparation software. Thus, the NASE wanted to find out what our micro-business members felt about the current tax code. In March of 2007 we conducted a survey to determine which factor of the federal tax code they found most burdensome. Overwhelmingly respondents indicated that it was the complexity of the tax code and tax forms. Additionally, these members indicated that the simplification of the tax code is what they would most like to improve about our current system.

The IRS Form 4562, which relates to Depreciation and Amortization, and its corresponding publications are a prime example of vague forms and publications that would benefit from simplification and plain language. A small business owner who purchases a \$1,500 computer will have to read 16 pages of obscure instructions to fill out this two page form. Additionally, the IRS indicates that the estimated burden for taxpayers who file this form is approximately 47 hours. Let me reiterate: 47 hours to fill out a two page form.

Minimizing the complexity of the tax code and paperwork burden faced by small business is one solution that policymakers and taxpayers alike have endorsed. The first step in this effort to reduce confusion surrounding the tax code should be to ensure that all forms and publications are in clear, concise language that is easy to understand by all. The National Association for the Self-Employed strongly supports H.R. 3548, the Plain Language in Government Communications Act. Use of plain language will allow all citizens to more accurately understand and comply with their responsibilities while also fostering more accountability within the federal government. Most importantly, it will boost the bottom line for businesses and government alike. Plain language will require less time and money spent on education, preparation and compliance.

We must remember that micro-business owners do not have the luxury of an extensive accounting and human resources department which can focus their time on recordkeeping and complying with regulation. Typically, the business owner is responsible for every aspect of their business taking on the role of CEO, HR manager, accountant and even

janitor. Every hour spent wrestling to understand complicated rules and regulations is less time spent managing and growing their business. Every dollar they spend on experts and professional assistance is less money they have to reinvest into their business.

Utilizing plain, easy to understand language in government forms and publications is not a complicated issue nor should it be controversial. It is simply the most effective and just manner of communication between our federal government and our citizenry which would produce sound benefits to our nation's economy.